

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 94-727-S

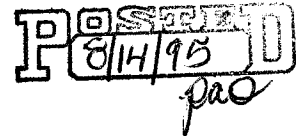
In Re:

APPLICATION OF DEVELOPMENT
SERVICE, INC. FOR APPROVAL
OF NEW SCHEDULE OF RATES
AND CHARGES FOR SEWERAGE
SERVICE PROVIDED TO
RESIDENTIAL, COMMERCIAL AND
WHOLESALE CUSTOMERS IN ALL
AREAS SERVED

APPLICATION FOR
RATE INCREASE



*Accepted by
Comm. Order no
95-1388
dated 8/2/95*



Development Service, Inc. ("DSI") hereby applies to the South Carolina Public Service Commission for approval of an increase in its existing rates and charges pursuant to South Carolina Public Service Commission's Rules and Regulations and S.C. Code Ann. § 58-5-240 (Law. Co-op. Supp. 1994). In support of its application, Development Service, Inc. provides the following information:

1. Development Service, Inc. is a corporation organized and existing under the laws of the State of South Carolina and is a public utility within the meaning of S.C. Code Ann. § 58-5-10(3) (Law. Co-op. 1976). The legal name and principal office or place of business of the Applicant are Development Service, Inc., 816 East Main Street, Lexington, South Carolina 29072.

2. Correspondence or communications regarding this application should be addressed to:

Frank R. Ellerbe, III
Robinson, McFadden, & Moore, P.C.
Post Office Box 944
Columbia, South Carolina 29202
(803) 779-8900

3. The contact person regarding ongoing operations of the Applicant is:

Keith G. Parnell
Development Service, Inc.
Post Office Box 258
Lexington, South Carolina 29072
(803) 359-4803

4. This application is for the approval of new schedules of rates and charges for sewerage service provided to its residential and commercial customers in all areas served. Current service area maps are on file with the Commission.

5. As of December 31, 1994, the Applicant was providing sewerage service to one hundred twenty-one (121) residential and commercial customers under schedules of rates and charges approved by the Commission in Order Number 87-1094, Docket Number 86-423-S, dated September 29, 1987 (a copy of the present schedules is attached hereto and incorporated herein by reference as Exhibit 1).

6. The wastewater collected by DSI is transmitted through DSI's collection system to Bush River Utilities, Inc. ("BRU") a public utility that treats such wastewater prior to discharge and disposal. BRU charges DSI a monthly "wholesale rate" for such treatment services, which was approved by this Commission in Order Number 87-1151, Docket Number 86-355-S, dated October 14, 1987. The monthly cost of treatment by BRU represents DSI's major operating expense. DSI is further informed and believes that BRU intends to submit an application for increases in BRU's approved rates and charges.

7. Due to increased operating expenses and the need for

capital improvements, the Applicant must increase its rates and charges, and respectfully submits, pursuant to S.C. Code Ann. § 58-5-240 (Law. Co-op. Supp. 1994), the attached new schedules, designated as Exhibit 2 and incorporated herein by reference. The new schedules would have produced additional operating revenues of \$119,479.35 based on the twelve-month period ending December 31, 1994. Notice of its intention to file the new schedules was given more than thirty (30) days ago. Applicant is informed and believes that such schedules are just, lawful and reasonable, and intends to put the new schedules into operation for service rendered on or after the expiration of the time prescribed in subsection (C) or subsection (D), whichever is applicable, of S.C. Code Ann. § 58-5-240 (Law. Co-op. Supp. 1994), unless otherwise ordered by this Commission beforehand.

8. The Applicant requests that the Commission waive its requirement that the Applicant file recent letters of approval or satisfactory reports from the Department of Health and Environmental Control ("DHEC") constituting DHEC's most recent approval to operate simultaneously with this Application. DSI collects wastewater through its system and conveys it to Bush River Utilities, Inc. where it is treated. The letters approving Bush River Utilities, Inc.'s operation will be filed either prior to or at the time of the hearing schedule by the Commission in regard to this Application.

9. Attached hereto and incorporated by reference are Exhibits "3-9" inclusive, based on the proposed twelve-month test


year ending December 31, 1994, and Exhibits "10-12" as required by the Commission's Rules, Regulations, and Directives and listed below:

- | | |
|------------|---|
| Exhibit 3 | Most current available income and expense statement for preceding twelve months. |
| Exhibit 4 | Pro forma income and expense statement using proposed rates applied to proposed test year. |
| Exhibit 5 | Balance sheet. |
| Exhibit 6 | Depreciation schedule by categories of plant or average service lives. |
| Exhibit 7 | Number of customers as of December 31, 1994, and expected in the following twelve months. |
| Exhibit 8 | Cost justification for proposed rates and charges. |
| Exhibit 9 | Statement of plant investment by categories. |
| Exhibit 10 | Recent letters of approval or satisfactory reports from the Department of Health and Environmental Control constituting DHEC's most recent approval to operate. |
| Exhibit 11 | Documentation to update performance bond. |
| Exhibit 12 | Customer bill form. |

WHEREFORE, Development Service, Inc., requests that the South Carolina Public Service Commission approve the new rates and charges as proposed herein and set forth in the attached schedules.

Respectfully submitted,

ROBINSON, McFADDEN & MOORE, P.C.

By 
Frank R. Ellerbe, III
Post Office Box 944
Columbia, SC 29202
(803) 779-8900

Attorneys for Development Service,
Inc.

Columbia, South Carolina

July 21, 1995.

EXHIBIT 1

DEVELOPMENT SERVICE, INC.

APPROVED RATE SCHEDULES

SCHEDULE OF RESIDENTIAL RATES

TYPE OF RESIDENCE	MONTHLY SERVICE CHARGE
Single Family	\$10.00 per month
Apartments (Per Unit)	\$ 9.50 per month

SCHEDULE OF COMMERCIAL RATES

TYPE OF ESTABLISHMENT	MONTHLY SERVICE CHARGE FACTOR
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Monthly Minimum Charge	\$10.00
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Car Washes

Per Car	1.575
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Churches

	10.00
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Factories:

Each Employee (No Showers)	.4641
Each Employee (With Showers)	.6188
Each Employee (With Kitchen Facilities)	.7735

Food Service Operations:

** Ordinary Restaurant (Not 24 hours) (Per Seat)	1.5561
24 Hour Restaurant (Per Seat)	2.3296
Curb Service (Drive-In) (Per Car Space)	1.5561
** Fast-Food Restaurant (Per Car Space)	1.5561
Vending Machine Restaurant (Per Machine)	.9282

Institutions:

Per Resident	1.3195
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Laundries:

Self Service (Per Machine)	5.2871
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Mobile Homes:

Per Person	1.3195
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Motels:

Per Unit (No Restaurant)	1.3195
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Nursing Homes:

Per Bed (No Laundry)	1.3195
Per Bed (With Laundry)	1.5561

Offices:

Per Person (No Restaurant)	.3913
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Picnic Parks:

Average Attendance	.4641
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Rest Homes:

Per Bed (No Laundry)	1.3195
Per Bed (With Laundry)	1.5561

Schools:

Per Person (No Showers, Gym, Cafeteria)	.3094
Per Person (With Cafeteria, No Gym, Showers)	.3913
Per Person (With Cafeteria, Gym, Showers)	.4641

Service Stations:

Without Bay	10.92
First Bay (Per Bay)	15.54
Each Additional Bay (Per Bay)	7.7714

Shopping Centers:

Per 1,000 Square Ft. Space	3.1122
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Swimming Pools:

Per Person (With Sanitary Facilities and Showers)	.3094
Community Building/Apartments (Per Unit)	.42

Theaters:

Drive-in - Stall	.1690
Indoor - Seat	.1690

** The rate for a "fast-food" restaurant will be the lower of the rate for "fast-food" restaurants or for "ordinary" restaurants.

SCHEDULE OF TAP FEES

The "Water Pollution Control Division Guidelines for Unit Contributory Loadings of Waste Water Treatment Facilities (1972)" are incorporated herein by reference. To determine tap fees the following formula is used if the customers' BOD₅ factor is greater than the BOD₅ factor for a residence:

$$\frac{\text{Total Volume (gpd)}}{400 \text{ (gpd)}} \times \frac{\text{Unit BOD}_5 \text{ of Customer/100 gal.}}{0.17 \text{ lbs.}} \times 350$$

If the customer's BOD₅ factor is less than the BOD₅ factor of an equal volume of residential waste, the following formula should be used:

$$\frac{\text{Total Volume (GPD)}}{400 \text{ (gpd)}} \times 350$$

EXHIBIT 2

DEVELOPMENT SERVICE, INC.

NEW RATE SCHEDULES

SCHEDULE OF RESIDENTIAL RATES

TYPE OF RESIDENCE	MONTHLY SERVICE CHARGE
Single Family	18.00
Apartments (Per Unit)	17.10

SCHEDULE OF COMMERCIAL RATES

TYPE OF ESTABLISHMENT	MONTHLY SERVICE CHARGE
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Monthly Minimum Charge	18.00
<u>Car Washes</u> (per car)	2.84
<u>Churches</u>	18.00

Factories:

Each Employee (No Showers)	0.84
Each Employee (With Showers)	1.11
Each Employee (With Kitchen Facilities)	1.39

Food Service Operations:

** Ordinary Restaurant (Not 24 hours) (Per Seat)	2.80
24 Hour Restaurant (Per Seat)	4.19
Curb Service (Drive-In) (Per Car Space)	2.80
** Fast-food Restaurant (Per Car Space)	2.80
Vending Machine Restaurant	1.67

Institutions:

Per Resident	2.38
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Laundries:

Self Service (Per Machine)	9.52
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Mobile Homes:

Per Person	2.38
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Motels:

Per Unit (No Restaurant)	2.38
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Nursing Homes:

Per Bed (No Laundry)	2.38
Per Bed (With Laundry)	2.80

Offices:

Per Person (No Restaurant)	0.70
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Picnic Parks:

Average Attendance	0.84
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Rest Homes:

Per Bed (No Laundry)	2.38
Per Bed (With Laundry)	2.80

Schools:

Per Person (No Showers, Gym, Cafeteria)	0.56
Per Person (With Cafeteria, No Gym, No Showers)	0.70
Per Person (With Cafeteria, Gym, Showers)	0.84

Service Stations:

Without Bay	19.66
First Bay (Per Bay)	27.98
Each Additional Bay (Per Bay)	13.99

Shopping Centers:

Per 1,000 Square Ft. Space	5.60
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Swimming Pools:

Per Person	0.56
(With Sanitary Facilities and Showers)	

Theaters:

Drive-in - Stall	0.30
Indoor - Seat	0.30

** The rate for a "fast-food" restaurant will be the lower of the rate for "fast-food" restaurants or for "ordinary" restaurants.

SCHEDULE OF TAP FEES

The "Water Pollution Control Division Guidelines for Unit Contributory Loadings of Waste Water Treatment Facilities (1972)" are incorporated herein by reference. To determine tap fees the following formula is used if the customers' BOD₅ factor is greater than the BOD₅ factor for a residence:

$$\frac{\text{Total Volume (gpd)}}{400 \text{ (gpd)}} \times \frac{\text{Unit BOD}_5 \text{ of Customer/100 gal.}}{0.17 \text{ lbs.}} \times 350$$

If the customer's BOD₅ factor is less than the BOD₅ factor of an equal volume of residential waste, the following formula should be used:

$$\frac{\text{Total Volume (GPD)}}{400 \text{ (gpd)}} \times 350$$

EXHIBIT 3

DEVELOPMENT SERVICE, INC.

STATEMENT OF REVENUE COLLECTED AND EXPENSES PAID
YEAR ENDED DECEMBER 31, 1994

Revenue

Sewer Service	\$ 122,723.90	
Tap Fees	350.00	
Late Charges	<u>90.82</u>	<u>\$123,164.72</u>

Expenses

Collection Salaries	17,160.00	
Administrative Salaries	13,000.00	
Office Supplies	275.37	
Treatment Expense	91,546.35	
Lab Expense	85.13	
Outside Services	122.77	
Legal & Professional	1,315.00	
Insurance	3,425.64	
Depreciation	6,000.00	
Property Taxes	2,247.42	
Payroll Taxes	<u>3,651.85</u>	<u>\$ -138,829.53</u>

Net Income **\$ (15,664.81)**

DEVELOPMENT SERVICE, INC.
 Pro Forma Income and Expense Statement
 Twelve Months Ending December 31, 1994

LINE NO.		PER BOOKS	ADJUSTMENT	TEST YEAR ADJUSTED	EFFECT OF INCREASE	TY AFTER INCREASE
1	OPERATING REVENUES					
2	Sewer Service	122,723.90	0	122,723.90	114,002.02	236,725.92
3	Tap Fees	350.00	(350.00)	0	0	0
4	Late Charges	90.82	0	90.82	5,827.33	5,918.15
5	TOTAL OPERATING REVENUES	123,164.72	(350.00)	122,814.72	119,829.35	242,644.07
6	OPERATING EXPENSES					
7	Collection Salaries	17,160.00	(3,603.62)	13,556.38	0	13,556.38
8	Administrative Salaries	13,000.00	1,950.00	14,950.00	0	14,950.00
9	Office Supplies	275.37	24.63	300.00	0	300.00
10	Treatment Expense	91,546.35	85,998.09	177,544.44	0	177,544.44
11	Lab Expense	85.13	164.87	250.00	0	250.00
12	Outside Services	122.77	27.23	150.00	0	150.00
13	Legal and Professional	1,315.00	2,085.00	3,400.00	0	3,400.00
14	Insurance	3,425.64	74.36	3,500.00	0	3,500.00
15	Regulatory Comm. Expense	0	1,650.00	1,650.00	0	1,650.00
16	Depreciation	6,000.00	0	6,000.00	0	6,000.00
17	Property Taxes	2,247.42	152.58	2,400.00	0	2,400.00
18	Payroll Taxes	3,651.85	(1,371.34)	2,280.51	0	2,280.51
19	State Income Tax	0	0	0	833.14	833.14
20	Federal Income Tax	0	0	0	2,499.41	2,499.41
21	TOTAL OPERATING EXPENSES	138,829.53	87,151.80	225,981.33	3,332.55	229,313.88
22	OPERATING INCOME	(15,664.81)	(87,501.80)	(103,166.61)	116,496.80	13,330.19
23	OPERATING MARGIN-%	(12.72%)		(84.0%)		

DEVELOPMENT SERVICE, INC.

PRO FORMA INCOME AND EXPENSE STATEMENT
TWELVE MONTHS ENDING DECEMBER 31, 1994
DETAIL OF ADJUSTMENTS

OPERATING EXPENSES

Line 2 Sewer Service

Income is calculated based on achieving an 8% operating margin before taxes. Prior approved rates were used to develop an allocation of billings to each existing active customer served by Development Service, Inc. Based on this method, projected rates are increased by 80% over current rates.

Line 3 Tap Fees

No major tap fees are anticipated.

Line 4 Late Charges

Late charges are projected at 2.5% of sewer service revenue based on historical data.

OPERATING REVENUES

Line 7 Collection Salaries

A portion of collection salaries is reclassified to Bush River Utilities, Inc. to more accurately reflect allocation of time. Additionally, a 15% increase has been factored into current cost to offset inflation increases.

Line 8 Administrative Salaries

A 15% increase has been factored into current costs to offset inflation increases.

Line 9 Office Supplies

Based on historical data. No material increases anticipated.

Line 10 Treatment Expense

Treatment expense is updated to reflect projected cost increases.

Line 11 Lab Expense
Based on historical data. No material increase anticipated.

Line 12 Outside Services
Based on historical data. No material increase anticipated.

Line 13 Legal & Professional
Increase represents additional cost associated with computerized accounting processing.

Line 14 Insurance
Based on historical data. No material increase anticipated.

Line 15 Regulatory Commission Expense
Increase reflects legal and accounting costs associated with the application.

Line 16 Depreciation
Based on depreciation schedule attached.

Line 17 Property Taxes
Based on historical data. No material increase anticipated.

Line 18 Payroll Taxes
Decrease reflects changes in salary expense discussed above.

Line 19 State Income Taxes
Based on state tax rate of 5% of projected operating margin.

Line 20 Federal Income Taxes
Based on federal tax rate of 15% of projected operating margin.

EXHIBIT 5

DEVELOPMENT SERVICE, INC.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

Utility Plant

Utility Plant in Service	\$ 120,000.00	
Accum. Depreciation	<u>(42,000.00)</u>	<u>78,000.00</u>

Other Property & Investments

Non-Utility Plant	1,500.00	
Organizational Costs	1,000.00	
Accum. Depreciation	(1,500.00)	
Accum. Amortization	<u>(1,000.00)</u>	<u>0</u>

Current & Accrued Assets

Cash	826.05	
Accounts Receivable	<u>1,435.18</u>	<u>2,261.23</u>

<u>TOTAL ASSETS</u>	<u>\$ 80,261.23</u>	
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LIABILITIES

Equity Capital

Common Stock	9,500.00	
(Authorized 100,000 shares, \$1.00 par value, issued & outstanding 9,500 shares)		
Paid in Capital	33.00	
Beginning Retained Earnings	(38,505.53)	
Unappropriated Retained Earnings	<u>(15,664.81)</u>	<u>(44,637.34)</u>

Current & Accrued Liabilities

Note Payable - Bush River	86,910.56	
Note Payable - Midlands	31,662.90	
Accounts Payable	2,521.17	
Customer Deposits	2,630.45	
FICA & Federal Withholding	886.04	
State Withholding	175.45	
Federal Unemployment	<u>112.00</u>	<u>124,898.57</u>

<u>TOTAL LIABILITIES</u>	<u>\$ 80,261.23</u>	
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EXHIBIT 6**DEVELOPMENT SERVICE, INC.****DEPRECIATION SCHEDULE
FOR THE TEST YEAR ENDED DECEMBER 31, 1994**

DESCRIPTION	DEPRECIATION METHOD	YEAR	RATE	DATE ACQUIRED	COST	DEPRECIATION		
						ACCUMULATED 1/1/94	CURRENT EXPENSE	ACCUMULATED 12/31/94
Sewer Plant: Sewer System Net	01	YR 7	0.0500	Jan. 88	<u>120,000.00</u>	<u>36,000.00</u>	<u>6,000.00</u>	<u>42,000.00</u>
Subtotal - Sewer Plant					<u>120,000.00</u>	<u>36,000.00</u>	<u>6,000.00</u>	<u>42,000.00</u>
General Plant: Computer	05	YR 5	0.2000	Nov. 88	<u>1,500.00</u>	<u>1,500.00</u>	<u>0</u>	<u>1,500.00</u>
Subtotal - General Plant					<u>1,500.00</u>	<u>1,500.00</u>	<u>0</u>	<u>1,500.00</u>
TOTAL					<u>121,500.00</u>	<u>37,500.00</u>	<u>6,000.00</u>	<u>43,500.00</u>
MONTHLY DEPRECIATION EXPENSE							<u>500.00</u>	

DEPRECIATION METHOD:

- (01) 20 YR S/L
- (02) 15 YR S/L
- (03) 04 YR S/L
- (04) 03 YR S/L
- (05) 05 YR S/L
- (06) 03 YR ACRS
- (07) 05 YR ACRS
- (08) 05 YR MACRS, HY
- (09) 07 YR MACRS, HY

EXHIBIT 7

DEVELOPMENT SERVICE, INC.

NUMBER OF PRESENT AND EXPECTED CUSTOMERS
IN THE FOLLOWING TWELVE MONTHS

CLASS OF CUSTOMER	12/31/94	12/31/95
Residential	62	1
Commercial	59	0

EXHIBIT 8

DEVELOPMENT SERVICE, INC.

COST JUSTIFICATION
FOR PROPOSED RATES AND CHARGES

The company's last proposed rate increase was approved on September 29, 1987, and was based on the level of operating expenses experienced and projected for 1987. The proposed monthly rates were selected to allow the company the opportunity to earn a reasonable operating margin and a reasonable return on its rate base. The proposed new monthly rate schedules are necessary to assure confidence in the financial soundness of the company and to provide adequate and sufficient service to its customers.

EXHIBIT 9

DEVELOPMENT SERVICE, INC.

STATEMENT OF PLANT INVESTMENT
BY CATEGORIES AS OF DECEMBER 31, 1994

OFFICE FURNITURE AND EQUIPMENT	\$ 1,500.00
TOTAL TREATMENT AND DISPOSAL PLANT	\$120,000.00

EXHIBIT 10

DEVELOPMENT SERVICE, INC.

The Applicant requests that the Commission waive the requirement that recent letters of approval from the Department of Health and Environmental Control be filed simultaneously with the application. The wastewater collected by the Applicant is transmitted through its collection system to Bush River Utilities, Inc. where it is treated prior to discharge and disposal. The DHEC letters of approval for Bush River Utilities, Inc.'s system will be filed prior to or at the Commission's hearing on this application.

DEVELOPMENT SERVICE, INC.
315 Main Street
P.O. Box 1700
Lexington S.C. 29072

ACCOUNT NO. _____

Service for _____

Previous Balance _____

Payment _____

Past Due _____

Late Charge on _____

Unpaid Balance _____

Sewer Service _____

Total Due _____

PLEASE REMIT TO THE ABOVE ADDRESS
WITHIN TEN DAYS

NAME AND ADDRESS

PLEASE RETURN THIS STUB WITH PAYMENT